R 4105-7 U 12/87

The Conference Board

Corporate Directors' Compensation 1988 Edition

- *overall, pay increases leveling off*
- *modest changes in insurance, other benefits*
- *retirement plans, stock options gaining in popularity*
- *new data on service industries*

Research Report No. 903

ABOUT THE CONFERENCE BOARD

The Conference Board is a business information service whose purpose is to assist senior executives and other leaders in arriving at sound decisions. Since its founding in 1916, the Board has been creating close personal networks of leaders who exchange experience and judgment on significant issues in management practice, economics and public policy. The networks are supported by an international program of research and meetings which The Conference Board staff of more than 350 persons carries out from offices in New York, Ottawa and Brussels.

More than 3,600 organizations in over 50 nations participate in The Conference Board's work as Associates. The Board is a not-for-profit corporation and the greatest share of its financial support comes from business concerns, many with worldwide operations. The Board also has many Associates among labor unions, colleges and universities, government agencies, libraries and trade and professional associations.

ABOUT THE AMERICAN SOCIETY OF CORPORATE SECRETARIES

The American Society of Corporate Secretaries is a 40-year-old professional association whose membership is composed principally of corporate secretaries, assistant secretaries, and other persons involved in duties relating to the corporate secretarial function. The Society's 3,000 members represent 2,400 companies in the United States and Canada.

American Society of Corporate Secretaries, Inc.
1270 Avenue of the Americas
New York, New York 10020
(212) 765-2620

The Conference Board, Inc.
845 Third Avenue
New York, New York 10022
(212) 759-0900
RCA International Telex
237282 and 234465

The Conference Board, Inc.
Avenue Louise, 207-Bte 5
B-1050 Brussels, Belgium
(02) 640 62 40
Telex: 63635

The Conference Board, Inc.
1755 Massachusetts Avenue, N.W.
Suite 312
Washington, D.C. 20036
(202) 483-0580

The Conference Board of Canada
255 Smyth Road
Suite 100
Ottawa, Ontario, K1H-8M7
(613) 526-3280

Conference Board Report No. 903

Printed in U.S.A.

© 1987 THE CONFERENCE BOARD, INC.

ISBN NO.: 0-8237-0346-0

Corporate Directors' Compensation 1988 Edition

by Jeremy Bacon

A Research Report from The Conference Board

Contents

	Page
WHY THIS REPORT	v
HIGHLIGHTS	vi
METHOD, SAMPLE AND TERMINOLOGY	vii
1. TOTAL ANNUAL COMPENSATION OF OUTSIDE DIRECTORS	1
Increases Since 1986	1
How Compensation Was Increased	1
Compensation in Manufacturing Companies—by Industry	2
Compensation in Manufacturing Companies—by Company Size	2
Compensation in Financial Companies—by Industry	2
Compensation in Financial Companies—by Company Size	2
Compensation in Nonfinancial Service Companies—by Industry	2
Compensation in Nonfinancial Service Companies—by Company Size	2
2. FORMS AND AMOUNTS OF COMPENSATION FOR REGULAR BOARD SERVICE	7
Forms of Compensation for Regular Board Service	7
Amounts of Annual Retainers	7
Amounts of Per-Meeting Fees	8
Total Board-Only Compensation	8
Frequency and Length of Board Meetings	8
3. COMPENSATION FOR SERVICE ON BOARD COMMITTEES	13
Prevalence of Payment for Board Committees	13
Methods of Payment for Board Committees	13
Amounts of Payment for Board Committees	13
Forms and Amounts of Payment to Chairmen of Board Committees	13
Number of Committees Per Company	14
How Often Committees Meet	14
4. BENEFITS FOR DIRECTORS	21
How Many Companies Provide Benefits	21
Types of Benefits	21

Tables

		Page
1.	Amounts and Changes of Median Total Potential Annual Compensation for Outside Directors in the Three Major Industry Categories, for 1986 and 1987	3
2.	Analysis of Compensation Increases for Those Companies that Reported Them, by Industry Category	3
3.	Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 422 Manufacturing Companies, by Industry	4
4.	Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 420 Manufacturing Companies, by Company Size	4
5.	Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 221 Financial Companies, by Industry	5
6.	Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 221 Financial Companies, by Company Size	5
7.	Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 277 Nonfinancial Service Companies, by Industry	6
8.	Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 276 Nonfinancial Service Companies, by Company Size	6
9.	Forms of Compensation for Regular Board Service	8
10.	Retainers Paid for Regular Board Service by Industry Category	9
11.	Retainers Paid for Regular Board Service by 402 Manufacturing Companies, by Company Size	9
12.	Retainers Paid for Regular Board Service by 202 Financial Companies, by Company Size	9
13.	Retainers Paid for Regular Board Service by 267 Nonfinancial Service Companies, by Company Size	10
14.	Fees Paid for Regular Board Meetings	10
15.	Total Board-Only Annual Compensation, by Company Size	10
16.	Board-Only Compensation as a Percentage of Total Compensation, Including Committees	11
17.	Number of Board Meetings Per Year, by Industry Category	11
18.	Number of Board Meetings Per Year, by Company Size and Industry	11
19.	Length of Typical Board Meeting in Hours, by Company Size and Industry	11
20.	Incidence of Payment for Members and Chairmen of Board Committees	14
21.	Prevalence and Methods of Payment for Principal Board Committees	14
22.	Forms and Amounts of Payment for Principal Board Committees, Manufacturing Companies	15
23.	Forms and Amounts of Payment for Principal Board Committees, Financial Companies	15
24.	Forms and Amounts of Payment for Principal Board Committees, Nonfinancial Service Companies	15
25.	Median Retainers Paid, With and Without Per-Meeting Fees, for Five Principal Board Committees	16
26.	Compensation of Chairmen of Board Committees, Manufacturing Companies	16
27.	Compensation of Chairmen of Board Committees, Financial Companies	16
28.	Compensation of Chairmen of Board Committees, Nonfinancial Service Companies	17
29.	Number of Committees Reported Per Company, by Industry Category	17
30.	Number of Committees Reported Per Company, by Company Size	18
31.	Number of Meetings Per Year of Principal Committees, by Industry Category	18
32.	Number of Meetings Per Year of Six Principal Committees, by Company Size	19
33.	Number of Benefits for Outside Directors Per Company, by Company Size	22
34.	Principal Insurance and Other Benefits Provided to Outside Directors	22
35.	Limits of Coverage for Directors and Officers Liability Insurance, by Industry Category and Company Size	23
36.	Incidence of Retirement Benefit Plans for Outside Directors in 923 Companies, by Company Size	23

Why This Report

Corporate directors have seen a slight easing in the pressures on them in recent months. Insurance coverage has become more readily available, if still costly. And changes in the statutes of many states have sheltered board members from some kinds of liability exposure and made it possible for individual companies to strengthen their indemnification provisions for directors.

But these changes still leave the outside director faced with a challenging assignment. There has been no diminishing of responsibility, or of time demands, or of difficult decisions that must be faced. Even the pressure-cooker environment of takeovers has continued, despite predictions that it would abate. To accept a board seat today is to take on a real job and put oneself at risk.

Compensation is one way in which corporations reward and motivate their incumbent directors and attract new candidates. The findings of this year's survey suggest that, overall, pay increases to outside directors have leveled off somewhat, even though over 40 percent of the respondents did make some kind of upward adjustment in board compensation.

This report, like preceding editions, will enable companies to judge the appropriateness and timeliness of their own director compensation practices. Information as of June 9, 1987, was provided by 923 U.S. corporations. This material is analyzed by industry groups, by 48 specific industries, and by size of company. It covers both compensation—for board and for committee service—and benefits.

As part of a continuing effort to make this report a more useful tool for its many readers, this edition contains some new data. For example, several tables now present more information on what higher-paying companies do for their directors. In the service category, tables contain breakouts of some new industries. Committee retainers are analyzed separately for companies that pay *only* retainers for committee service and for those that also pay a meeting fee.

Once again we thank the National Office of the American Society of Corporate Secretaries, which is described on the inside front cover, and the respondents to the survey, most of whom are members of that Society. The generous support of corporate secretaries makes this project possible and is greatly appreciated.

JAMES T. MILLS
President

Highlights

• *Forty-two percent* of the 923 survey respondents *increased pay* for their outside directors since last year. Only *1 percent reduced board pay.*

• In dollar terms, however, the *overall 1987 figures barely budged* from 1986 levels. Only the *manufacturing category* showed a gain in median annual compensation, a slim increase of $1,000 a year or 5 percent (compared to $2,000 or 11 percent last year). The median for *financial firms* slipped, although by only $200—a 1 percent dip following last year's hefty 15 percent jump. The median for *nonfinancial service companies* held steady (Table 1, p.3).

• Whereas median annual compensation levels for the three major industry groupings have changed little since last year's survey, some individual industries do show significant changes. Some of these changes may stem from differences in the samples responding to the two surveys (Tables 3, 5 and 7; pp.4, 5 and 6).

• The median annual pay figure for directors of *the larger manufacturing firms*—those with $5 billion in sales—*increased 11 percent* (a larger gain for these companies than in the past few surveys) and now stands at $38,000 (Table 4, p.4). *The most generous company* in this category pays a little over *$64,000 a year* (Table 3, p.4). Median annual pay for directors of the largest financial and nonfinancial service companies increased by only 2 percent (Tables 6 and 8, pp.5 and 6). Note that these three tables *now contain third-quartile figures.*

• *Median annual board retainers* were up by $1,000 in manufacturing, down by $850 in nonfinancial service companies, and unchanged for financial firms (Table 10, p.9).

• *Median board-meeting fees* remained basically unchanged at $750 for manufacturing companies (no change), and $600 for financial companies (a $25 increase), and for nonfinancial service companies (no change).

• Just under 90 percent of the surveyed companies give extra compensation to their directors for committee service (Table 20, p.14), usually in the form of a per-meeting fee (Table 21, p.14). Companies that use a retainer to compensate committee service and that do not pay a per-meeting fee are apt to pay a more generous retainer (Table 25, p.16).

• There were some *modest changes in insurance or other kinds of benefits* enjoyed by outside directors of the surveyed companies. The percent of firms carrying directors and officers liability insurance dropped to 84 percent, from 88 percent in 1986 and from 85 percent the year before. *Retirement plans* for outside directors *continued to climb in popularity* and were found in 21 percent of the responding companies, up from 18 percent in 1986 and a modest 15 percent the year before (Table 34, p.22).

• *Another gainer is the stock option* for outside directors; 85 companies (just under 10 percent) offer this benefit as of 1987, up from 69 companies in 1986 and 30 in 1985. However, the figure for companies that *pay* directors outright in stock, in addition to cash compensation, did not change; again it is 38 companies, or 4 percent (see p.7).

Method, Sample and Terminology

About Data Collection

The information for this report was collected during May and early June of 1987 by means of a questionnaire that was sent to the members of the American Society of Corporate Secretaries, plus a small number of additional firms. The total number of respondents on which the figures in the report are based is 923: 423 manufacturers, 222 financial companies, and 278 nonfinancial service firms. All respondents are United States companies and, in almost all cases, they are independent or parent companies, rather than subsidiaries.

About Data Analysis

Industry and size categories

For analytical purposes, data are broken down in one of three ways:

- By three major industry categories (manufacturing, financial, nonfinancial service);
- By individual industries (48 in all) within those categories;
- By company size, using 14 size groups ranging from under $10 million to over $5 billion in sales, except for financial firms, whose size is measured in total assets.

Percentages and central tendencies

In most cases, the base used for calculating percentages is the number of companies that answered the particular question or part of a question. Companies that did not reply, or indicated that the question is not applicable, are omitted from the calculation.

Medians

Medians, rather than mathematical averages (means), are usually used to show representative or typical values. A median is the middle value in a distribution arrayed by size, above and below which lie an equal number of values.

Modes

Some tables show modes as well as medians. A mode is the value in a set of data that appears most frequently. Where the greatest frequency is shared by two or more values, all such values are listed as modes.

Quartiles

Third quartiles are indicated in some tables. For this report, the third-quartile figure used is the *actual* number—in an array of values according to size—that is at, or nearest above, the 75th percentile point on a cumulative frequency scale.

Survey samples

The companies that respond are not always the same from one survey to the next. Thus, measurements of change between surveys are based on statistics from comparable samples, not change within an identical repeated sample.

Total annual compensation

The study uses a figure that is unique to this series: *total potential annual compensation (regular board service plus committee service) to representative outside directors.* In most cases this figure is provided specifically by the survey respondent; in other cases, it is calculated. It represents what a typical director of a given company makes in a year, if he or she attends all required board and committee meetings. We believe it to be the best single indication of board pay for use in comparing companies.

Terminology

This report deals only with compensation of the *outside director,* which for this purpose means a director who is not presently an employee of the company. The term *retainer* indicates in every case an amount paid on an annual basis (although it may actually be paid out in installments during the year), and that is not directly related to and does not depend on attendance at board (or committee) meetings. The term *fee* means an amount paid for attendance on a per-meeting basis.

Regular board service refers to meetings and other work of the *full board,* as distinguished from service as a member of one or more board committees.

Chapter 1
Total Annual Compensation of Outside Directors

This chapter contains information about how much outside directors make for a year's board work, including committee service. It presents this information by major industry category (manufacturing, financial, nonfinancial service), by 48 specific industries, and by company size within industry categories. It also includes both dollar figures and amounts and percentages of increase (or decrease) since the 1986 survey.

All tables in the chapter are based on one figure for each company, representing *what the most typical outside director on that company's board can expect to earn in a year.* (See box.) Later chapters deal separately with board-only compensation and with committee compensation.

Increases Since 1986

Forty-two percent of the respondents gave some form of pay raise to their outside directors this past year, only 1 percentage point above last year's figure. A dozen firms—1 percent—*decreased* board compensation.

Overall, the increases only had a slight effect on medians for the three major industry categories, as evidenced by Table 1. For manufacturing companies the median total annual compensation figure went up by $1,000, a mere 5 percent change. There was no change at all for nonfinancial service companies; the financial industry median actually decreased, but by an insignificant amount.

How Compensation Was Increased

As was the case in 1986, a majority of companies that increased board pay did so by increasing the payment for full board service, leaving committee compensation unchanged. Raising the board annual retainer was by far the single most common way of giving directors a raise. After that came increasing both the board retainer and the board per-meeting fee, followed by board fees alone (or in some cases along with committee meeting fees). A few companies used a stock payment arrangement to boost the annual retainer.

Table 2, which is part of this year's expanded data, shows that among companies which increased board pay, the median increase ranged from a little over $2,500 in the manufacturing and nonfinancial services categories to $3,000 for financial firms. In percentage terms, the median raise was 13 percent in both the manufacturing and nonfinancial service categories, 18 percent in financial institutions.

About the Total Potential Annual Compensation Figure

One of the basic purposes of this survey is to provide a basis for useful comparisons. In particular, we have in mind the corporate reader (or director) who wants to see how his or her company's directors' compensation compares with that of companies of similar size in the same or a similar industry or industries. Thus, The Conference Board survey in recent years has emphasized one figure in particular for each participating company: how much a *typical* outside director of that company can expect to make, in total, for a full year's service on the board, counting committees. This figure serves as the basis for the tables presented in this chapter.

We call this figure "total potential annual compensation (regular board service plus committee service) to representative outside directors." It is based on the assumption that the typical director attends, and therefore is paid for, every board meeting and every meeting of every board committee on which he or she serves. It is the *potential* compensation for full participation.

Because the figure is for what the *most representative or typical* director on that board makes, some directors will make more, some less, depending on committee assignments or chairmanships.

Compensation in Manufacturing Companies—by Industry

Table 3 presents information for 26 individual industries within the manufacturing category. Median total annual compensation figures are up for some industries, down for others, with no particular pattern indicated. This is consistent with the aggregate increase of 5 percent for all manufacturing companies combined.

Among industries represented by at least ten companies in the 1987 survey, the drug and pharmaceutical industry again has the highest median annual compensation figure at $31,800. Other industries in the top five—the only others with a median of $25,000 or more—are aerospace, food, petroleum and paper. The median for manufacturing companies is $22,000.

The upper ends of the ranges shown in Table 3 indicate that some manufacturing companies pay their most representative director much more than the median for their industry—sometimes twice as much, ranging to a high of over $64,000 for one food company. Although not representative, there are also directors who are paid above the table's high-end figures.

Compensation in Manufacturing Companies—by Company Size

Table 4 gives figures for manufacturing firms on the basis of company size. In manufacturing, more than in the other two industry categories, there continues to be a positive correlation between the size of the company and the level of compensation of its directors. The median for the 51 companies in the largest group (sales of $5 billion) is $38,000, which is 73 percent higher than the median for all manufacturing companies.

A new feature this year in Table 4 is the addition of third-quartile figures.

Compensation in Financial Companies—by Industry

Figures for financial companies (again, median figures for total potential annual compensation) appear in Table 5 and 6. Table 5 shows that mutual life insurance companies continue to pay more than companies in other financial industries. The overall median for all financial firms is $17,000, which is essentially unchanged from 1986.

As in manufacturing, there are some companies in each subcategory of the financial industry that pay much more than the industry median. A case in point is the fire and casualty insurance category, where the highest-paying firm pays its typical director $38,500—far more than twice the median for the industry as a whole.

Compensation in Financial Companies—by Company Size

Table 6 indicates that among financial companies, directors' pay is not as closely related to company size (measured in *assets)* as is the case with manufacturing companies (measured in *sales).* However, the highest median and the highest top-of-the-range amount are found in firms with assets of $5 billion and over—the largest financial firms in the survey. They also comprise 41 percent of survey respondents in the financial category.

In this industry category, there is no relation between the increases or decreases in compensation and the company size.

A new feature this year in Table 6 is the addition of third-quartile figures.

Compensation in Nonfinancial Service Companies—by Industry

Figures for the third major category are found in Tables 7 and 8. Table 7, which presents data by industry, has been amplified in this year's report. We believe that the more numerous array of industries analyzed in the table (e.g., broadcasting and telecommunications) will increase its usefulness to service company readers. (In a few cases the change means a loss of comparability with prior editions of this report.) The miscellaneous services industry includes companies in such businesses as health care, computer software and consulting, management consulting, research, technical services, personnel services, and wholesale merchandising.

Three of the industries in the nonfinancial service company category have a median annual compensation figure of over $25,000, the highest being $27,375 for widely diversified service firms. The overall median for nonfinancial service firms is $18,000.

Compensation in Nonfinancial Service Companies—by Company Size

Table 8 shows that directors' compensation in this industry category tends to increase as company size increases, especially for larger companies. However, the correlation between pay and company size is not quite as great as it is for manufacturing firms.

A new feature this year in Table 8 is the addition of third-quartile figures.

Table 1: Amounts and Changes of Median Total Potential Annual Compensation[1] for Outside Directors in the Three Major Industry Categories, for 1986 and 1987

	1986		1987		
Industry Category	*Median Total Potential Annual Compensation*	*Percent of Increase Over 1985*	*Median Total Potential Annual Compensation*	*Amount of Increase (Decrease) Over 1986*	*Percent of Increase (Decrease) Over 1986*
Manufacturing companies	$21,000	11%	$22,000	$1,000	5 %
Financial companies	$17,200	15	$17,000	($ 200)	(1)
Nonfinancial service companies[2]	$18,000	5	$18,000	—	--

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Includes eight mining companies.

Table 2: Analysis of Compensation Increases for Those Companies that Reported Them,[1] by Industry Category

	Industry Category		
	Manufacturing (116 Companies)	*Financial (86 Companies)*	*Nonfinancial Service (103 Companies)*
Range of increases	$500–$15,500	$300–$16,750	$150–$12,500
Median	$ 2,675	$ 3,000	$ 2,550
Mode	$ 2,000	$ 2,000	$ 3,000
Median percentage increase	13%	18%	13%

[1]Forty-two percent of the respondents reported an increase.

Table 3: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 422 Manufacturing Companies, by Industry[1]

Industry	*Number of Companies*	*Range of Compensation*	*1986 Median Annual Compensation (433 Companies)*	*1987 Median Annual Compensation (422 Companies)*	*Percent Increase (Decrease)*
Aerospace, aircraft and parts	17	$12,000–$50,000	$21,750	$30,000	38%
Apparel and related products	9	$ 5,000–$33,600	$16,300	$17,500	7
Appliances, television and radio	5	$ 1,100–$28,750	N/A	$18,000	N/A
Chemicals, paints and related products	24	$ 3,000–$57,000	$21,700	$24,475	13
Computers, electronics	31	$ 2,400–$44,000	$15,500	$19,000	23
Conglomerate or widely diversified	45	$ 3,000–$53,250	$22,750	$23,200	2
Construction, construction engineering	5	$ 2,000–$26,800	N/A	$21,000	N/A
Construction materials and components (excluding lumber)	14	$10,250–$44,000	$20,325	$22,050	8
Containers, packaging	5	$10,000–$23,500	$16,000	$19,000	19
Drugs, pharmaceuticals, cosmetics, soaps	26	$ 5,000–$44,600	$32,200	$31,800	(1)
Electrical industrial equipment	18	$ 400–$37,600	$20,325	$17,750	(13)
Food, beverages and related products	27	$ 2,500–$64,175	$28,350	$29,800	5
Instruments, controls, optical products	11	$ 7,500–$27,500	$16,000	$16,500	3
Machinery: general industrial	13	$ 6,000–$28,000	$20,800	$19,500	(6)
Machinery: metalworking and special	6	$ 5,000–$26,750	$12,500	$21,200	70
Miscellaneous consumer products	23	$ 9,000–$41,200	$21,000	$20,100	(4)
Miscellaneous industrial products	17	$10,000–$31,000	$18,250	$17,200	(6)
Motor vehicles and parts	10	$ 7,000–$49,250	$22,200	$22,750	2
Nonferrous metals	6	$16,500–$32,100	$16,500	$20,200	22
Paper and forest products	22	$ 6,000–$35,900	$22,850	$25,050	10
Petroleum products (including exploration)	35	$ 2,000–$47,850	$22,000	$28,400	29
Printing, printing products, publishing	23	$ 7,700–$41,500	$23,125	$24,000	4
Rubber products	6	$14,000–$32,000	$24,000	$21,675	(10)
Steel	12	$ 8,700–$28,100	$19,500	$19,500	—
Textiles	6	$ 4,100–$22,500	$ 9,250	$ 7,950	(14)
Transportation equipment and parts	6	$14,000–$32,400	$27,000	$24,500	(9)

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

Table 4: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 420 Manufacturing Companies, by Company Size[1]

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	*1986 Median Annual Compensation (432 Companies)*	*1987 Median Annual Compensation (420 Companies)*	*Percent Increase (Decrease)*	*1987 Third-Quartile Compensation[2]*
Under $25	18	$ 1,800–$15,000	$ 6,000	$ 5,250	(13)	$10,000
25–49	14	$ 400–$20,500	$11,350	$ 7,600	(33)	$ 9,700
50–99	22	$ 6,000–$30,000	$10,950	$13,850	26	$18,400
100–149	25	$ 1,100–$22,000	$12,500	$13,500	8	$14,500
150–199	10	$ 7,000–$24,000	$12,050	$16,000	33	$18,400
200–349	50	$ 5,000–$29,200	$15,350	$17,100	11	$21,000
350–499	32	$ 4,400–$36,000	$16,000	$18,000	13	$22,350
500–749	43	$ 3,750–$40,000	$17,000	$19,500	15	$24,000
750–999	30	$ 2,500–$35,100	$22,900	$22,150	(3)	$27,900
1,000–1,999	63	$10,000–$51,560	$24,500	$25,000	2	$29,500
2,000–2,999	19	$24,300–$45,000	$27,000	$30,000	11	$32,500
3,000–4,999	43	$16,000–$50,000	$31,200	$32,000	3	$38,600
5,000 and over	51	$22,800–$64,175	$34,358	$38,000	11	$44,675

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Figure for company at, or nearest above, 75 percent point in range.

Table 5: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 221 Financial Companies, by Industry[1]

Industry	*Number of Companies*	*Range of Compensation*	*1986 Median Annual Compensation (205 Companies)*	*1987 Median Annual Compensation (221 Companies)*	*Percent Increase (Decrease)*
Bank holding company	80	$3,000-$41,500	$17,000	$16,550	(3)%
Commercial banking	14	$2,475–$26,400	$14,163	$15,100	7
Savings institution	32	$2,600–$34,000	N/A	$13,825	N/A
Insurance—fire and casualty	23	$1,600–$38,500	$15,500	$20,000	29
Insurance—mutual life	13	$8,800–$65,000	$27,500	$30 500	11
Insurance—stock life	22	$4,000–$44,000	$14,000	$18,900	35
Investment company	14	$6,300–$28,000	$11,250	$13,600	21
Miscellaneous financial service	23	$6,600–$54,250	$19,800	$26,500	34

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

Table 6: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 221 Financial Companies, by Company Size[1]

Company Size by Assets (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	*1986 Median Annual Compensation (205 Companies)*	*1987 Median Annual Compensation (221 Companies)*	*Percent Increase (Decrease)*	*1987 Third-Quartile Compensation[2]*
Under $100	8	$2,475–$26,800	$ 7,900	$ 8,750	11%	$12,000
100–149	6	$3,000–$25,000	$10,600	$10,700	1	$14,000
150–199	6	$3,600–$16,000	$15,000	$ 9,000	(40)	$10,200
200–349	10	$6,200–$26,500	$10,425	$14,350	38	$17,200
350–499	15	$3,300–$30,000	$11,550	$13,000	13	$22,000
500–749	13	$1,600–$22,200	$ 7,800	$ 9,800	26	$12,000
750–999	8	$8,100–$21,500	$10,700	$11,400	7	$16,100
1,000–1,999	20	$4,800–$30,000	$13,400	$11,500	(14)	$14,400
2,000–2,999	21	$7,500–$36,200	$12,450	$14,000	12	$22,600
3,000–4,999	24	$6,600–$31,000	$17,350	$17,500	1	$19,800
5,000 and over	90	$8,400–$65,000	$24,500	$25,100	2	$33,000

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Figure for company at, or nearest above, 75 percent point in range.

Table 7: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 277 Nonfinancial Service Companies, by Industry[1]

Industry	*Number of Companies*	*Range of Compensation*	*1986 Median Annual Compensation (291 Companies)*	*1987 Median Annual Compensation (277 Companies)*	*Percent Increase (Decrease)*
Broadcasting, telecommunications (except telephone)	8	$ 6,250–$60,000	N/A	$22,750	N/A
Department stores, other nonfood retail stores	12	$ 300–$40,500	N/A	$20,250	N/A
Restaurants, lodging, entertainment	14	$ 3,500–$39,000	N/A	$14,000	N/A
Supermarkets, convenience stores, drug stores	14	$ 5,400–$33,000	N/A	$18,500	N/A
Public utility:					
Electricity only	44	$ 3,800–$36,000	$15,200	$17,200	13
Electricity and gas	32	$ 7,800–$33,350	$14,300	$14,790	3
Gas only	24	$ 6,400–$36,000	$14,400	$17,700	23
Telephone company	16	$ 3,750–$39,000	$20,500	$25,940	27
Water	5	$ 4,800–$19,700	$13,100	$12,600	(4)
Mining	8	$10,800–$30,600	$19,250	$24,000	25
Miscellaneous services[2]	51	$ 4,000–$50,000	$17,500	$15,000	(14)
Transportation	22	$11,400–$63,150	$24,500	$25,775	5
Holding company[3]	17	$ 4,000–$35,250	$19,700	$22,000	12
Conglomerate or widely diversified (mostly nonmanufacturing)	10	$ 9,500–$42,000	$20,800	$27,375	32

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

[2]Includes such industries as consulting, health care, research, technical services, wholesale distribution.

[3]Excludes *bank* holding companies.

Table 8: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 276 Nonfinancial Service Companies, by Company Size[1]

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	*1986 Median Annual Compensation (291 Companies)*	*1987 Median Annual Compensation (276 Companies)*	*Percent Increase (Decrease)*	*1987 Third-Quartile Compensation[2]*
Under $50	18	$ 4,000–$26,000	$ 7,100	$ 9,050	27%	$15,000
50–99	24	$ 3,500–$29,900	$10,000	$12,000	20	$15,000
100–149	15	$ 300–$39,000	$13,000	$11,950	(8)	$16,500
150–199	4	$10,000–$21,000	$17,000	$17,625	4	$20,750
200–349	27	$ 7,800–$25,750	$15,000	$17,000	13	$18,000
350–499	27	$ 3,750–$25,000	$13,300	$13,800	4	$19,000
500–749	33	$ 5,400–$31,600	$13,600	$15,075	11	$18,400
750–999	17	$ 8,000–$36,450	$17,000	$16,500	(3)	$23,000
1,000–1,999	39	$ 5,000–$60,000	$20,700	$22,000	6	$26,700
2,000–2,999	16	$18,400–$50,000	$25,225	$29,300	16	$33,500
3,000–4,999	27	$ 7,000–$63,150	$26,525	$25,600	(3)	$32,200
5,000 and over	29	$13,150–$40,500	$31,200	$31,800	2	$34,000

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Figure for company at, or nearest above, 75 percent point in range.

Chapter 2
Forms and Amounts of Compensation for Regular Board Service

This chapter breaks down one of the two major components of total annual compensation for directors: compensation for regular, or full board, service. (Board *committee* pay, the other component, is covered in Chapter 3.) The information includes the form(s) of payment made to directors for board service—annual retainers, per-meeting fees, or both—and the dollar amounts of these payments. It also includes calculations of *total* board-only compensation and of the proportion of board-only pay to total annual compensation (committee pay included). Finally, there are tables showing frequency of board meetings by industry category, by company size and by board meeting length.

Forms of Compensation for Regular Board Service

Retainer payments: Retainers are the major component of director compensation, as Table 9 clearly shows. Almost all companies use an annual retainer, and most also pay a fee for each board meeting attended. Financial firms use retainers somewhat less (92 percent) than do firms in the other two categories. Fifteen percent of the manufacturers, eight percent of financial companies and twelve percent of nonfinancial firms use *only* a retainer to cover basic service and pay no attendance fee. These figures remain basically unchanged from last year's survey.

Stock payments: The number and percentage of companies that use stock as a cash equivalent in compensating their outside directors is about the same as in 1986. Thirty-eight firms, or four percent, use company stock in this way, giving their directors shares in addition to or in lieu of cash they receive as annual compensation.

An additional half-dozen companies use a slightly different approach. Instead of incorporating stock into the regular board compensation formula, they either make a one-time payment of stock or use a restricted stock grant program that vests in annual increments, usually over three or five years.

Among those companies that do pay part of current board compensation in stock, some leave it up to the individual director to request such payment as an option. Others simply use stock compensation as a matter of course, either selecting a number of shares (such as 100 or 200) or else deciding on a dollar amount and paying shares equal to that value; for one company the second method is resulting in payments of $20,000 in cash and $10,000 in stock on an annual basis.

Some other uses of company stock for directors have not been counted here as part of compensation. Several companies report putting shares into a retirement fund that becomes available to the director only after he or she leaves board service. In the framework of this report this practice would be considered a retirement benefit rather than current compensation. Similarly, Table 34 indicates that somewhat more than half the responding firms permit directors to defer receipt of their annual income for board service. Many of these plans permit the director to take payment in the form of stock when retirement time comes. Again, this use of stock is not considered to be part of current compensation in this report. Nor are stock options, which are reported by 85 companies; see Table 34 for this and other benefits for directors.

Amounts of Annual Retainers

Table 10 summarizes information on the size of retainers paid for regular board service. It shows the range and the median of retainers reported in the 1987 survey for the three major industry groups.

The 1987 median retainer for manufacturing companies that pay both a retainer and a per-meeting fee (by far the majority practice) is $14,000, up $1,000 from last year. There was no change for financial companies; the median board retainer is still $10,000. For nonfinancial service companies the 1987 median is down by $850, to $10,650.

Table 11, 12 and 13 show a more detailed picture of the magnitude of retainers, analyzing them by company size. They illustrate that:

- *Retainer size tends to increase with company size*, especially in manufacturing firms. The relationship is least marked in the financial category. However, *44 percent* of the finan-

cial firms are bunched in the largest size group—$5 billion in assets—which has by far the largest median retainer figure for the category.

- *Manufacturing companies pay the highest retainers,* except in companies below $150 million in sales.

Third-quartile figures, new this year, give an indication of retainers paid by the better-paying companies in each size category.

Amounts of Per-Meeting Fees

Table 14 deals with per-meeting fees for regular board meetings. The key figure is the median fee for companies that pay both a fee and a retainer. That figure remained essentially unchanged from 1986 in all three industry categories. For manufacturing companies, the median fee for firms that pay per-meeting fees and a retainer is $750; for financial and nonfinancial service companies it is $600.

Total Board-Only Compensation

This section presents information on total annual pay for regular board service *only,* leaving out payment (if any) that is specifically for committee service. The formula for the board-only compensation figure that was computed for each company for use in this section is:

Annual retainer for regular board service + (board meeting fee x number of board meetings in a year)

Table 15 presents median board-only figures by company size, in the three major industry categories. For the median firm in each of the three categories, Table 16 shows board-only pay as a percent of *total* pay. It indicates that directors of financial firms get a slightly lower proportion of their pay on the basis of board-only compensation (or a higher percentage of committee fees) than is the case in other industries.

Frequency and Length of Board Meetings

In general, financial companies hold more board meetings than do other kinds of firms (see Table 17). The median number of meetings is six for manufacturing and nonfinancial service companies. For financial companies the median is nine and the most commonly reported frequency is twelve.

Table 18, which shows frequency of board meetings for all three categories of firms for six company size categories, indicates that the median number of meetings is larger as companies get larger, except among financial firms.

Table 19, introduced this year, shows that board meetings actually tend to be shorter as company size increases. This probably reflects the fact that larger companies have more board committees (see Chapter 3) whose separate deliberations save time when the full board takes up matters dealt with in committee.

Note that the figures in this table apply only to meetings of the full board. Attending meetings of board committees can add considerably to the hours indicated in Table 19.

Table 9: Forms of Compensation for Regular Board Service

	Percent of Companies Using Each		
Forms of Compensation	*422 Manufacturing Companies*	*220 Financial Companies*	*277 Nonfinancial Service Companies*
Annual retainer:			
Both retainer and per-meeting fee	81%	84%	85%
Retainer only	15	8	12
Total paying retainer	96%	92%	97%
Per-meeting fee only	4	8	3
Totals	100%	100%	100%

Table 10: Retainers Paid for Regular Board Service,[1] by Industry Category

Industry Category	*Number of Companies by Method of Payment*	*Range of Retainers*	*Median Retainer*	*Amount of Increase (Decrease) in Median Over 1986*
Manufacturing	340 that pay retainer and fee	$1,000–$38,000	$14,000	$1,000
	64 that pay retainer only	$1,200–$40,000	$16,000	
Financial	185 that pay retainer and fee	$1,500–$25,000	$10,000	none
	17 that pay retainer only	$1,800–$36,000	$10,000	
Nonfinancial service	234 that pay retainer and fee	$1,800–$30,000	$10,650	($850)
	33 that pay retainer only	$3,000–$60,000	$12,000	

[1]Annual retainers; fees for board meetings and all extra payments for committee service are excluded.

Table 11: Retainers Paid for Regular Board Service by 402 Manufacturing Companies, by Company Size

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Retainers*	*Median Retainer*	*Third-Quartile Retainer[1]*
Under $100	39	$ 2,000–$20,000	$ 6,000	$12,000
100–149	23	$ 1,000–$20,000	$ 8,000	$12,000
150–199	10	$ 3,600–$16,000	$ 9,500	$15,000
200–349	50	$ 3,500–$20,000	$10,000	$13,600
350–499	31	$ 1,200–$20,400	$12,000	$13,500
500–749	42	$ 1,800–$40,000	$13,250	$15,500
750–999	30	$ 1,800–$24,000	$15,000	$18,000
1,000–1,999	63	$ 1,800–$38,000	$16,000	$20,000
2,000–2,999	19	$ 1,800–$30,000	$17,000	$22,000
3,000–4,999	43	$10,000–$31,500	$20,000	$22,000
5,000 and over	52	$ 2,400–$40,000	$20,000	$25,000

[1]Figure for company at, or nearest above, 75 percent point in range.

Table 12: Retainers Paid for Regular Board Service by 202 Financial Companies, by Company Size

Company Size by Assets (Millions of Dollars)	*Number of Companies*	*Range of Retainers*	*Median Retainer*	*Third-Quartile Retainer[1]*
Under $100	5	$2,500–$12,000	$10,000	$10,800
100–149	4	$5,000–$20,000	$ 8,000	$10,000
150–199	4	$4,000–$ 6,000	$ 6,000	$ 6,000
200–349	9	$3,600–$18,000	$ 6,000	$ 7,000
350–499	12	$2,000–$20,000	$ 8,500	$10,000
500–749	11	$1,800–$12,500	$ 3,600	$10,000
750–999	8	$3,000–$12,000	$ 5,400	$ 8,000
1,000–1,999	18	$2,500–$20,000	$ 6,000	$10,000
2,000–2,999	20	$4,000–$22,000	$ 7,500	$13,500
3,000–4,999	23	$2,100–$20,000	$ 8,000	$12,000
5,000 and over	88	$1,500–$36,000	$14,000	$20,000

[1]Figure for company at, or nearest above, 75 percent point in range.

Table 13: Retainers Paid for Regular Board Service by 267 Nonfinancial Service Companies, by Company Size

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Retainers*	*Median Retainer*	*Third-Quartile Retainer*[1]
Under $100	38	$ 1,800–$16,000	$ 8,000	$10,000
100–149	13	$ 4,000–$24,000	$ 8,000	$10,500
150–199	4	$10,000–$15,000	$11,250	$12,500
200–349	25	$ 3,600–$15,000	$10,000	$10,800
350–499	28	$ 2,000–$15,000	$ 8,000	$11,000
500–749	32	$ 4,000–$20,000	$ 8,700	$10,800
750–999	17	$ 5,000–$20,000	$11,000	$15,000
1,000–1,999	39	$ 5,000–$60,000	$12,000	$15,000
2,000–2,999	16	$10,000–$30,000	$18,000	$20,000
3,000–4,999	26	$10,000–$25,000	$15,500	$20,000
5,000 and over	29	$ 5,550–$25,000	$20,000	$21,000

[1]Figure for company at, or nearest above, 75 percent point in range.

Table 14: Fees Paid for Regular Board Meetings

Industry Category	*Companies by Method of Payment*	*Range of Fees*	*Median Fee*	*Changes from 1985*
Manufacturing	339 that pay fee and retainer	$200–$3,000	$750	0
	18 that pay fee only	$150–$2,500	$550	a
Financial	186 that pay fee and retainer	$100–$5,000	$600	+ $25
	17 that pay fee only	$125–$1,500	$550	a
Nonfinancial service	235 that pay fee and retainer	$100–$2,200	$600	0
	9 that pay fee only	$100–$2,000	$1,000	a

[a]Change not shown because of small sample.

Table 15: Total Board-Only Annual Compensation,[1] by Company Size

	Manufacturing		*Financial*		*Nonfinancial Service*	
Company Size by Sales[2] *(Millions of Dollars)*	*Number of Companies*	*Median Board-Only Compensation*	*Number of Companies*	*Median Board-Only Compensation*	*Number of Companies*	*Median Board-Only Compensation*
Under $10	1	$ 7,750	1	$ 6,600	3	$10,000
10–24	5	$ 6,500	—	—	4	$ 8,625
25–49	8	$ 7,050	1	$19,750	5	$ 7,500
50–99	16	$13,200	3	$17,000	13	$ 9,700
100–149	19	$12,500	4	$11,500	12	$10,900
150–199	6	$13,050	4	$ 8,700	3	$16,500
200–349	41	$14,500	9	$10,000	22	$13,875
350–499	21	$16,500	10	$11,750	26	$12,200
500–749	38	$16,500	8	$ 8,700	31	$12,000
750–999	26	$19,450	8	$ 9,500	14	$14,815
1,000–1,999	54	$20,625	13	$ 8,400	34	$18,000
2,000–2,999	17	$23,000	19	$11,200	13	$21,600
3,000–4,999	38	$27,000	23	$14,000	24	$22,275
5,000 and over	47	$29,200	62	$20,125	29	$26,400

[1]Annual compensation for regular board service only, excluding any pay for committee service. (In some companies this payment is intended to compensate directors for committee service as well as full board service; 11 percent of respondents do not pay separately for committees.)
[2]By assets for financial companies.

Table 16: Board-Only Compensation as a Percentage of Total Compensation, Including Committees

Industry Category	*Median Percentage*
Manufacturing	85%
Financial	83
Nonfinancial service	86

Table 17: Number of Board Meetings Per Year, by Industry Category

Industry Category	*Range of Meeting Frequencies*	*Median*	*Mode*
Manufacturing	2–14	6	4
Financial	4–24	9	12
Nonfinancial service	1–16	6	6

Table 18: Number of Board Meetings Per Year, by Company Size and Industry

Company Size by Sales[1] (Millions of Dollars)	*Frequency of Board Meetings*								
	Manufacturing			*Financial*			*Nonfinancial Service*		
	Range	*Median*	*Mode[2]*	*Range*	*Median*	*Mode[2]*	*Range*	*Median*	*Mode[2]*
Under $100	2–12	5	4	4–13	5	4	4–13	5	4
100–199	4–12	5	4	4–15	6	4	1– 8	5	4
200–499	3–13	6	4	4–18	8	4,12	4–16	6	6
500–999	4–14	6	6	4–24	10	12	4–15	6	6
1,000–2,999	3–14	8	6	4–14	11	12	4–16	8	5
3,000 and over	4–14	9	10	4–24	9	12	4–13	10	12

[1]By assets for financial companies.
[2]If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 19: Length of Typical Board Meeting in Hours, by Company Size and Industry

Company Size by Sales[1] (Millions of Dollars)	*Length of Board Meeting (Hours)*								
	Manufacturing			*Financial*			*Nonfinancial Service*		
	Range	*Median*	*Third-Quartile[2]*	*Range*	*Median*	*Third-Quartile[2]*	*Range*	*Median*	*Third-Quartile[2]*
Under $100	1–9	4.5	5	2–5	3.25	3.5	1–16	3.75	5.5
100–199	1–8	4	5	1–7	3.25	4	2–13	3.5	4
200–499	1–8	3	4.5	2–7	3	3.5	1–7	3	4
500–999	2–8	3.5	4.5	1–8	3	3.5	1–6	3.25	3.5
1,000–2,999	1–6	3.5	3.5	1–7	2.5	3.5	1–8	3	3.5
3,000 and over	1–6	3.5	4	1–12	2.5	3.5	1–6	3	4

[1]By assets for financial companies.
[2]Figure for company at, or nearest above, 75 percent point in range.

Chapter 3

Compensation for Service on Board Committees

This chapter presents information on compensation paid specifically for serving on board committees—payment in addition to remuneration for regular board service. It includes findings on compensation to chairmen of board committees when that responsibility is rewarded with higher pay. The chapter also contains data on how many committees the surveyed companies have and how often they meet.

Prevalence of Payment for Board Committees

The overwhelming majority of respondents (99 percent) have at least one board committee. Table 20 summarizes practice concerning payment for committee service and for chairing committees. It indicates that:

- most companies pay directors for committee service;
- a sizable minority pays committee chairmen more than committee members.

There has been no change in these practices since 1986.

Methods of Payment for Board Committees

Table 21 lists 12 of the most common board committees and the number of surveyed firms that have such committees. The table also shows the number of companies that pay for serving on each committee, and by what method or methods. The per-meeting fee remains by far the most frequent means of compensating directors for committee service.

Amounts of Payment for Board Committees

Dollar figures for service on principal board committees in the three major industry categories are presented in Tables 22, 23 and 24. The tables show ranges and medians of fees and retainers paid for each type of committee.

Committee fees continue to be higher in the manufacturing sector; all medians in this category are $600 and above, with $650 and $700 predominating (Table 22). Median fees for committees in financial and nonfinancial service companies are mostly under $600. These findings are similar to those in 1986.

Only a minority of companies use an annual retainer to pay for board committee service. The tables show that the median retainers for most committees range between $2,000 and $3,000.

A comparison of fees for committee service paid by companies that pay only a fee (the great majority) and those that also pay a retainer for committees indicates no significant difference in the size of the fees paid.

However, Table 25, added this year, shows median *retainers* are larger in those companies for which the retainer is the only form of committee pay; on average, companies that also pay a per-meeting fee pay somewhat smaller retainers.

Forms and Amounts of Payment to Chairmen of Board Committees

Table 20 shows that 43 percent of companies with committees pay committee chairmen an amount greater than others on the committee receive or a payment where regular members receive none. This figure is unchanged from last year. Tables 26, 27 and 28 spell out the forms and amounts of compensation paid for chairing principal committees, as reported by companies in the three major industry categories. Some highlights from these tables:

- The tables do not point to any particular change in medians for either annual retainers or per-meeting fees for committee chairmen from 1986.
- Median per-meeting fees (but not retainers) paid to committee chairmen continue to be lowest in financial firms.
- The highest retainers (top-of-the-range figures, not medians) are paid to chairmen of audit, compensation, executive and nominating committees; amounts of $70,000 or more are reported for such chairmen. The largest amount reported for a committee chairmanship, over $100,000, goes to the head of a manufacturing firm's finance committee.

• Whereas the *fee* is the most common vehicle for paying for general committee *service*, the *retainer* is favored for compensating committee *chairmen*.

Number of Committees Per Company

From the point of view of the individual director, compensation as a member of a particular board is affected by how many committees he or she serves on. This can depend, in turn, on how many different committees that board has.

Tables 29 and 30 deal with the number of committees reported per company; the first table is broken down by industry category, the second by company size. Financial companies have the highest number of committees per company, on average (Table 29). And over half (51 percent) of the financial firms have *more than four* board committees, whereas only 42 percent of manufacturers and 39 percent of nonfinancial service firms have that many. The figures in Table 30 show that the larger the company, the more board committees it is likely to have. A median of five committees per company is common to the largest firms in all three categories.

How Often Committees Meet

Table 31 shows the frequency with which the 12 most common board committees meet. The most common median meeting frequency among these committees is three times a year (the median in 11 cases), as it was last year. Twice a year and four times a year are tied for second with six mentions each. The columns in the table showing ranges indicate that some executive and finance committees meet quite often compared to median practice—weekly, for example, in the case of the executive committee. A director on a busy committee who is paid on a meeting-fee basis stands to earn considerably more than board members who serve on less active committees.

Table 31 also indicates that financial companies, which tend to have more board committees, also have a somewhat busier committee meeting schedule, judging by both the median and mode figures.

Table 32, added this year, presents data for committee meeting frequency by company size. The number of meetings held by some committees—audit, for example—tends to increase with company size, whereas with some other committees there is no such correlation.

Table 20: Incidence of Payment for Members and Chairmen of Board Committees

	1987		
Practice	*Number of Companies*	*Percent*[1]	*1986 Percent*[1]
Pay extra for committee service	812	89%	89%
Pay chairmen of committee(s) more than committee members	393	43	43

[1]Percentage based on number of companies that have or had committees.

Table 21: Prevalence and Methods of Payment for Principal Board Committees

					Methods of Payment Used (by Number of Companies)		
Committee	*Number of Companies with Committee*	*Percent*	*Number of Companies Paying for Committee*	*Percent*[1]	*Fee Only*	*Fee and Retainer*	*Retainer Only*
Audit	893	97%	783	88%	667	75	41
Compensation	773	84	664	86	569	59	36
Executive	653	71	499	76	423	54	22
Nominating	441	48	377	85	324	37	16
Finance	242	26	207	86	178	19	10
Employee benefits/pension	185	20	142	77	124	14	4
Public policy	90	10	85	94	70	12	3
Stock option	139	15	70	50	60	9	1
Investment	70	8	58	83	49	5	4
Planning	55	6	47	85	43	3	1
Human resources	52	6	39	75	37	2	—
Contributions	36	4	24	67	20	3	1

[1]Based on number of companies that have such a committee.

Table 22: Forms and Amounts of Payment for Principal Board Committees, Manufacturing Companies

	Forms and Amounts of Payment					
	Fees			Retainers		
Committee	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	322	$100–$2,000	$650	64	$ 500–$17,000	$2,500
Compensation	294	$100–$2,000	$650	56	$1,000–$17,000	$2,500
Executive	187	$200–$1,800	$700	38	$1,000–$75,000	$2,750
Nominating	168	$200–$1,500	$700	34	$1,000–$17,000	$2,000
Finance	93	$150–$1,500	$700	20	$1,000–$19,200	$2,250
Employee benefits/pension	64	$200–$1,000	$650	11	$ 400–$ 5,500	$2,500
Public policy	32	$400–$1,200	$800	11	$1,000–$10,000	$2,000
Stock option	29	$100–$1,000	$600	8	$ 500–$13,000	$2,750
Investment	13	$500–$1,000	$750	1	$ 5,000	$5,000
Planning	12	$300–$1,000	$650	3	$2,000–$ 3,000	$3,000
Human resources	7	$300–$1,000	$700	1	$ 1,000	$1,000
Contributions	5	$500–$ 850	$600	2	$ 3,000	$3,000

Table 23: Forms and Amounts of Payment for Principal Board Committees, Financial Companies

	Forms and Amounts of Payment					
	Fees			Retainers		
Committee	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	189	$ 50–$1,500	$500	28	$ 500–$10,000	$2,500
Compensation	141	$ 50–$1,500	$500	19	$1,000–$10,000	$3,000
Executive	147	$100–$1,500	$500	15	$1,000–$10,000	$2,500
Nominating	90	$100–$1,500	$500	8	$ 500–$ 6,000	$1,500
Finance	37	$100–$1,000	$600	5	$1,000–$ 4,000	$2,500
Employee benefits/pension	24	$100–$ 750	$375	5	$1,000–$ 4,000	$1,500
Public policy	23	$300–$1,000	$750	3	$1,000–$ 2,000	$2,000
Stock option	21	$200–$1,000	$500	1	$ 500	$ 500
Investment	35	$100–$1,000	$500	7	$ 500–$15,000	$5,000
Planning	14	$100–$ 750	$500	1	$ 1,000	$1,000
Human resources	18	$100–$1,000	$500	—	—	—
Contributions	11	$175–$ 750	$500	1	$ 3,000	$3,000

Table 24: Forms and Amounts of Payment for Principal Board Committees, Nonfinancial Service Companies

	Forms and Amounts of Payment					
	Fees			Retainers		
Committee	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	231	$100–$2,000	$500	24	$ 500–$16,000	$ 2,400
Compensation	193	$100–$2,000	$500	20	$ 500–$ 9,000	$ 2,000
Executive	143	$ 65–$2,000	$550	23	$ 500–$20,000	$ 4,000
Nominating	103	$100–$1,250	$500	10	$ 500–$16,000	$ 2,700
Finance	68	$125–$1,100	$600	6	$1,000–$ 9,000	$ 1,950
Employee benefits/pension	50	$125–$1,000	$525	2	$2,400–$20,000	$11,200
Public policy	27	$250–$1,000	$600	1	$ 2,500	$ 2,500
Stock option	19	$125–$2,000	$500	1	$16,000	$16,000
Investment	6	$300–$ 600	$460	1	$ 9,000	$ 9,000
Planning	20	$200–$ 800	$500	—	—	—
Human resources	14	$400–$1,000	$675	1	$ 2,750	$ 2,750
Contributions	7	$400–$ 700	$500	1	$ 9,000	$ 9,000

Table 25: Median Retainers Paid, With and Without Per-Meeting Fees, for Five Principal Board Committees

	Median					
	Manufacturing		Financial		Nonfinancial Service	
Committee	Companies that Pay Both Retainer and Fee	Companies that Pay Only Retainer	Companies that Pay Both Retainer and Fee	Companies that Pay Only Retainer	Companies that Pay Both Retainer and Fee	Companies that Pay Only Retainer
Audit	$2,500	$3,000	$2,500	$5,000	$2,400	$ 2,700
Compensation	$2,500	$3,250	$3,000	$3,500	$2,000	$ 1,500
Executive	$2,750	$4,500	$2,500	$1,000[a]	$4,000	$10,000
Nominating	$2,000	$3,750	$1,500	$6,000	$2,700	$ 3,000
Finance	$2,000	$3,750	$2,500	$2,500[a]	$1,950	$ 9,000[a]

[a]One company.

Table 26: Compensation of Chairmen of Board Committees, Manufacturing Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainers	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fee
Audit	140	$ 250–$ 20,000	$3,000	39	$350–$3,500	$ 800
Compensation	126	$ 200–$ 19,500	$2,650	39	$350–$3,500	$ 800
Executive	43	$ 250–$ 34,000	$3,000	18	$400–$2,000	$ 800
Nominating	75	$ 200–$ 19,500	$2,500	25	$425–$2,000	$ 800
Finance	43	$ 250–$121,200	$2,500	17	$425–$3,500	$ 800
Employee benefits/pension	30	$1,000–$ 7,500	$3,000	9	$325–$3,500	$ 900
Public policy	20	$1,000–$ 11,000	$3,000	4	$700–$2,000	$ 900
Stock option	7	$1,500–$ 14,000	$5,000	3	$425–$3,500	$ 700
Investment	5	$2,000–$ 4,000	$3,000	1	$2,000	$2,000
Planning	3	$2,000–$ 4,000	$2,500	1	$ 500	$ 500
Human resources	3	$1,500–$ 5,000	$1,500	1	$ 350	$ 350
Contributions	1	$ 3,000	$3,000	1	$ 600	$ 600

[1]Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees can not be determined from the data.

Table 27: Compensation of Chairmen of Board Committees, Financial Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainers	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fee
Audit	72	$ 500–$30,000	$2,500	38	$100–$2,500	$ 625
Compensation	47	$ 500–$30,000	$2,000	27	$100–$2,500	$ 650
Executive	17	$ 500–$60,000	$2,000	15	$200–$1,500	$ 500
Nominating	29	$ 500–$20,000	$1,500	12	$300–$1,500	$ 675
Finance	9	$1,000–$ 5,000	$2,500	8	$325–$1,500	$ 825
Employee benefits/pension	5	$1,000–$ 2,500	$1,500	5	$300–$1,500	$ 400
Public policy	13	$1,000–$10,000	$2,500	3	$400–$1,500	$ 750
Stock option	2	$1,000–$ 2,000	$1,500	1	$ 400	$ 400
Investment	5	$1,500–$15,000	$2,500	8	$100–$1,500	$ 550
Planning	2	$1,500–$ 2,500	$2,000	1	$ 850	$ 850
Human resources	8	$1,000–$ 5,000	$2,000	3	$500–$1,000	$ 600
Contributions	3	$ 500–$ 4,000	$1,000	1	$1,500	$1,500

[1]Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees can not be determined from the data.

Table 28: Compensation of Chairmen of Board Committees, Nonfinancial Service Companies[1]

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainers	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fee
Audit	73	$1,000–$26,000	$2,500	26	$300–$2,000	$ 900
Compensation	56	$1,000–$23,500	$2,500	25	$300–$2,000	$1,000
Executive	17	$1,000–$30,250	$2,500	11	$300–$2,000	$ 750
Nominating	33	$1,000–$23,500	$2,000	12	$300–$2,000	$1,000
Finance	19	$1,000–$18,000	$2,500	4	$500–$1,600	$1,125
Employee benefits/pension	14	$1,000–$30,000	$2,750	4	$600–$1,250	$1,000
Public policy	15	$1,500–$ 3,500	$2,250	4	$600–$1,000	$1,125
Stock option	0	—	—	4	$600–$2,000	$1,350
Investment	2	$1,000–$18,000	$9,500	1	$1,100	$1,100
Planning	3	$1,250–$ 2,000	$2,000	3	$500–$1,250	$ 750
Human resources	5	$1,000–$ 4,000	$3,000	1	$ 500	$ 500
Contributions	2	$1,000–$18,000	$9,500	0	—	—

[1]Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees can not be determined from the data.

Table 29: Number of Committees Reported Per Company, by Industry Category

Number of Committees	Total Number of Companies Reporting Each	Percent	Manufacturing		Financial		Nonfinancial Service	
			Number of Companies	Percent	Number of Companies	Percent	Number of Companies	Percent
1–2	116	13%	56	13%	18	8%	42	15%
3–4	416	46	199	48	90	41	127	46
5–6	298	33	129	31	86	39	83	30
7–8	80	9	33	8	23	11	24	9
9–10	3	—	1	—	2	1	—	—
Totals	913	101%[a]	418	100%	219	100%	276	100%

[a]Details do not add to 100 percent because of rounding.

Table 30: Number of Committees Reported Per Company, by Company Size

	Company Size Categories[1] (Millions of Dollars)					
	Under $100	*$100–$199*	*$200–$499*	*$500–$999*	*$1,000–$2,999*	*$3,000 and over*
			Manufacturing Companies			
Number of companies in each category	50	35	82	72	82	95
Range of number of committees reported	1–7	1–7	1–6	1–8	1–8	1–9
Median number of committees reported	3	3	3.5	4	4.5	5
Mode[2]	2	2	3	3,4	4	5
			Financial Companies			
Number of companies in each category	7	12	25	21	40	114
Range of number of committees reported	2–7	2–7	2–8	1–7	2–7	2–9
Median number of committees reported	3	3.5	4	4	4.5	5
Mode[2]	2,3	2	4,6	5,5	5	4
			Nonfinancial Service Companies			
Number of companies in each category	41	18	55	50	55	56
Range of number of committees reported	1–8	1–7	1–8	1–7	1–7	1–8
Median number of committees reported	3	3	4	4	4	5
Mode[2]	3	3	3,4	4	5	5

[1]Measured in sales for manufacturing and nonfinancial services, assets for financial.
[2]If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 31: Number of Meetings Per Year of Principal Committees, by Industry Category

	Manufacturing Companies			*Financial Companies*			*Nonfinancial Service Companies*		
Committee	*Range of Meeting Frequencies*	*Median*	*Mode[1]*	*Range of Meeting Frequencies*	*Median*	*Mode[1]*	*Range of Meeting Frequencies*	*Median*	*Mode[1]*
Audit	1–8	3	2	1–13	4	4	1–8	3	2
Compensation	0–12	3	2	1–13	4	4	1–12	3	2
Executive	0–45	3	1	1–52	5	4	0–50	3	1
Nominating	0–24	2	1	1–5	1	1	1–6	1.5	1
Finance	0–24	4	4	1–52	4	4	1–13	3.5	4
Employee benefits/pension	0–12	3	2,4	1–12	2.5	4	1–12	3	2
Public policy	0–10	3	2	1–6	2.5	2	1–5	3	3
Stock option	0–12	2	1	1–7	1	1	0–12	2	1
Investment	1–11	3.5	2,4	2–50	6	4	2–12	4	4
Planning	1–4	2	1	1–12	2	1	1–50	2	1
Human resources	1–6	3.5	2,4	1–12	4	4	2–9	4.5	2,3,5,6
Contributions	1–20	2.5	2,3	1–6	3	2	1–6	3	3

[1]If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 32: Number of Meetings Per Year of Six Principal Committees, by Company Size

Committee	Company Size Categories[1] (Millions of Dollars) Under $100	$100-$199	$200-$499	$500-$999	$1,000-$2,999	$3,000 and over
			Manufacturing Companies			
Audit						
Range of meeting frequencies	1-6	1-8	1-5	1-6	1-7	2-6
Median	2	2	2	3	3	3
Compensation						
Range of meeting frequencies	1-12	1-8	0-8	1-8	1-8	1-11
Median	2	2	2	3	4	4
Executive						
Range of meeting frequencies	0-35	0-12	1-12	1-12	0-25	0-45
Median	4	2	3	2	2.5	3
Nominating						
Range of meeting frequencies	1-2	1-8	1-2	1-3	0-6	1-24
Median	1	2	1	1	1	2
Finance						
Range of meeting frequencies	4	2-24	1-7	1-9	0-10	1-11
Median	4	4	1.5	2.5	4	4
Employee benefits/pension						
Range of meeting frequencies	0-12	1-8	1-5	1-6	0-12	1-5
Median	1	4	3	2	3	2.5
			Financial Companies			
Audit						
Range of meeting frequencies	2-4	1-12	1-10	1-13	1-12	1-10
Median	2	2	3	3	4	4
Compensation						
Range of meeting frequencies	2-5	1-6	1-4	1-11	1-8	1-13
Median	4	1.5	3	2	3.5	4
Executive						
Range of meeting frequencies	1-40	1-12	1-52	1-23	1-40	1-52
Median	12	4	3	5	4	6
Nominating						
Range of meeting frequencies	1-2	—	1	1-2	1–4	1-5
Median	1.5	—	1	1	1	2
Finance						
Range of meeting frequencies	—	2-4	1-4	4-5	4-52	2-28
Median	—	3	4	4	4	4
Employee benefits/pension						
Range of meeting frequencies	—	—	1-4	1-4	2-12	1-6
Median	—	—	2.5	1	4	2
			Nonfinancial Service Companies			
Audit						
Range of meeting frequencies	1-6	1-4	1-5	1-8	1-3	2-6
Median	2	2	2	3	3	3
Compensation						
Range of meeting frequencies	1-5	1-4	1-12	1-10	1-6	2-8
Median	2	2	2	3	3	3
Executive						
Range of meeting frequencies	1-20	1-8	0-20	1-24	1-12	0-50
Median	4	4	3	3	2	2
Nominating						
Range of meeting frequencies	1-4	1	1-3	1-3	1-4	1-6
Median	1	1	1	1	2	2
Finance						
Range of meeting frequencies	4-8	2	1-12	1-9	1-11	1-13
Median	4.5	2	2	2.5	4	4
Employee benefits/pension						
Range of meeting frequencies	1-7	1-4	1-10	1-7	1-5	1-12
Median	2	2	3	3	2	3

[1]Measured in sales for manufacturing and nonfinancial services, assets for financial.

Chapter 4
Benefits for Directors

Changes in the use of benefits or perquisites to supplement cash compensation to outside directors were minor in 1987, as they were in 1986.

How Many Companies Provide Benefits

Overall, 92 percent of the companies in the survey have at least one form of benefit for their outside directors. This count includes as a benefit directors and officers liability insurance (D&O), which is carried by 84 percent of the respondents. If D&O is not counted as a benefit on the grounds that it has become all but a necessity, then 81 percent of the respondents provide at least one benefit, unchanged from last year.

In Table 33, which shows numbers of benefits per company, the median figures indicate that a majority of companies offer their board members more than one kind of benefit. Note that the number of benefits provided by the largest companies in Table 33 ranges as high as seven or eight.

Types of Benefits

Table 34 lists those benefits that were reported by at least ten companies, divided into benefits that are a form of insurance coverage and those that are not. Only two—D&O insurance and deferral of board compensation—are provided by a majority of companies. Changes in prevalence of most of the various benefits in the table were small (3 percent or less); some did not change at all.

In addition to the benefits shown in the table, there are other, less common examples that have been reported in this and other recent surveys, including the following:

- life or travel insurance for spouse or dependent;
- medicare B insurance coverage;
- kidnap or ransom insurance;
- nuclear liability insurance;
- fidelity bond insurance;
- prescription drug reimbursement;
- hearing aid reimbursement;
- cardio-fitness program reimbursement;
- company-paid credit card;
- an incentive stock award, if profit goals are met;
- financial counseling, income tax preparation;
- use of office space, telephone and other services;
- use of company guest or vacation facilities;
- paid attendance at seminars, conferences or other meetings.
- business publications subscriptions.

Some further observations about benefits for directors:

D&O insurance: Essentially, this coverage is designed to reimburse directors should they be sued—as directors—and incur legal and other expenditures as a result. (If the *company* indemnifies or reimburses the director, then the insurance benefit goes to the company, thus *indirectly* ensuring the director his or her reimbursement.)

Many directors will serve on a board only if they have this protection. As has been widely reported, a significant shrinkage of available D&O coverage and steep premium increases have left some directors without this insurance, causing some resignations from boards. However, during 1987 the shortage of coverage began to redress itself and the rise in premiums abated. (Recent changes in many state laws have also afforded some shelter from liability to directors.)

Last year's survey showed a decline in D&O coverage limits from 1985 to 1986. Table 35 does not provide evidence of a similar decline from 1986 to 1987.

In a few companies, as shown in Table 34, D&O coverage is augmented by other related kinds of policies, such as those designed to cope specifically with the fiduciary implications of the Employee Retirement Income Security Act (ERISA).

Deferred compensation: Fifty-six percent of this year's respondents—unchanged from last year—offer their outside board members the option of postponing receipt (and also taxability) of at least part of their board pay until after retirement from the board. This option lets directors provide for retirement income and, in many cases, has the effect of reducing the tax from that which would be paid if the money were

received as currently earned. In addition, the company usually pays some form of interest on directors' deferred accounts as they accumulate prior to retirement.[1]

Pension or retirement payments: A *pension* payment to outside directors after they retire from the board is a relatively new benefit. Whereas a deferred plan involves optional postponement by the director of earned income, the newer post-retirement plans are pensions that begin only after retirement and without regard to any income that has been deferred during active board service. Twenty-one percent of the respondents currently report such a plan, whereas two years ago only fifteen percent did.

Because of considerable interest in retirement plans for outside directors, a separate tabulation of the prevalence of such plans, according to company size, is included as Table 36. It shows that large companies are more likely than smaller ones to have such a plan.

A recent approach to providing retirement benefits for directors involves setting aside company stock annually (100 shares, to use one example) for each outside board member, to be collectible only after retirement from the board. Such a plan is mentioned by only a handful of companies. It is not the same as deferring currently earned income, nor is it the same as grants of stock that vest in stages during a director's service on the board.

[1]For information on how deferred compensation plans and retirement plans for directors work, see James K. Brown, *Corporate Directorship Practices: Retirement Pay and Deferred Compensation for Outside Directors.* Research Bulletin No. 115, The Conference Board, 1982.

Table 33: Number of Benefits for Outside Directors Per Company,[1] by Company Size

Company Size by Sales (Millions of Dollars)[2]	Median Number of Benefits Per Company					
	346 Manufacturing Companies		190 Financial Companies		211 Nonfinancial Service Companies	
	Range	Median	Range	Median	Range	Median
Under $100	0–4	1	0–2	0	0–5	1
100–199	0–5	1	0–3	1	0–4	1.5
200–499	0–7	2	0–5	1	0–6	2
500–999	0–6	2	0–4	1	0–7	2
1,000–2,999	0–8	3	0–5	1	0–7	3
3,000 and over	0–8	3	0–7	3	1–7	3

[1]Not counting directors and officers liability insurance, or reimbursement of expenses of attending meetings.
[2]Financial companies are measured by assets.

Table 34: Principal Insurance and Other Benefits Provided to Outside Directors[1]

Benefit	Number and Percent of Companies Mentioning		
	1987 Number of Companies	1987 Percent	1986 Percent
Insurance:			
Directors and officers liability	775	84%	88%
Travel accident	363	39	40
Accidental death and dismemberment	147	16	16
Life	140	15	17
Medical and hospitalization	72	8	9
Fiduciary/ERISA, other liability[2]	24	3	2
Dental	14	2	2
Other Benefits:			
Deferred board compensation	514	56%	56%
Matching donations (educational, cultural, philanthropic, other)	308	33	35
Retirement or pension plan	195	21	18
Stock options (85 companies), stock purchase plans (10 companies)	95	10	8
Free or discounted company products or services	84	9	10
Physical examinations	16	2	2

[1]Benefits reported by ten or more companies.
[2]"General," "comprehensive," "umbrella" or "blanket."

Table 35: Limits of Coverage for Directors and Officers Liability Insurance, by Industry Category and Company Size

Company Size by Sales (Millions of Dollars)[1]	D&O Coverage Limits, in Millions of Dollars											
	Manufacturing Companies				Financial Companies				Nonfinancial Service Companies			
	Highest Reported		Median		Highest Reported		Median		Highest Reported		Median	
	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987
Under $100	$ 35	$ 25	$ 5	$ 5	$ 10	$ 5	$ 3	$ 4	$ 45	$ 50	$10	$10
100–199	$ 30	$ 50	$10	$10	$ 10	$ 15	$ 5	$ 2	$ 20	$ 25	$ 5	$10
200–499	$ 80	$ 70	$15	$15	$ 20	$ 20	$ 5	$ 5	$150	$140	$15	$15
500–999	$ 70	$ 50	$15	$15	$ 20	$ 20	$ 5	$ 9	$110	$105	$20	$25
1,000–2,999	$100	$250	$25	$25	$ 50	$ 40	$15	$10	$150	$105	$30	$26
3,000 and over	$250	$250	$53	$50	$110	$100	$23	$25	$115	$125	$45	$50

[1]Financial companies are measured by assets.

Table 36: Incidence of Retirement Benefit Plans for Outside Directors in 923 Companies, by Company Size

Company Size by Sales (Millions of Dollars)[1]	Provided by	
	Number of Companies	Percent of Size Group
Under $100	2	2%
100-199	4	6
200-499	24	15
500-999	31	22
1,000-2,999	36	20
3,000 and over	98	37

[1]Financial companies are measured by assets.

Related Conference Board Publications

	Report No.
Board Committees in European Companies	886
Corporate Directorship Practices: The Compensation Committee	829
Corporate Directorship Practices: The Nominating Committee and the Director Selection Process	812
Corporate Directorship Practices: The Planning Committee	810
Corporate Directorship Practices: The Public Policy Committee	775
Corporate Directorship Practices: The Audit Committee	766
Corporate Directorship Practices: Role, Selection and Legal Status of the Board	646
Corporate Directorship Practices: Retirement Pay and Deferred Compensation for Outside Directors	RB115
Corporate Directorship Practices: Uncommon Committees of the Board	RB139
The Role of Outside Directors in Major Acquisitions or Sales	RB180
Liability Insurance for Directors	Perspectives, No. 1